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Vienna, 6 December 1995

WORKING CAPITAL FUND FOR THE BIENNIUM 1996-1997

Proposals by the Director-General

Summary

On the basis of the withdrawal of the United States of America from UNIDO, updates the information provided in document IDB.14/3-PBC.11/3 and makes proposals on the revised level of the Fund for the biennium 1996-1997.

Introduction

1. In accordance with financial regulation 5.4(a), the Programme and Budget Committee should recommend to the Industrial Development Board the amount and purposes of the Working Capital Fund.

2. Financial regulation 5.4(b) stipulates that "the sources of moneys for the Fund shall be advances from Members, which shall be made in the proportion of the scale of assessments established by the Conference for the contributions of Members to the regular budget. The advances shall be carried to the credit of the respective Members who made the advances."

3. In its decision IDB.14/Dec.8, the Board recommended to the General Conference, *inter alia*, that the level of the Working Capital Fund for the 1996-1997 biennium remain the same as for the 1994-1995 biennium, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b). It was thus recommended that the approved level of the Fund remain at $9 million.

I. BIENNIUM 1994-1995

4. On 4 December 1995, the United States of America informed UNIDO of its intention to withdraw from the Organization. The effective date of withdrawal will be 31 December 1996. Under the circumstances, the United States is entitled to a refund of its advance to the Fund on that date. Of the $9 million level, $2,250,000 is represented by the advance made by the United States.

II. PROPOSALS FOR THE BIENNIUM 1996-1997

5. In respect of financial regulation 5.4(a), as a result of the development described in paragraph 4 above, it is proposed to lower the current level of the Fund from $9 million to the level of $6,750,000 for the biennium 1996-1997 to take into account the withdrawal of the United States from the Organization and the consequent revisions to the 1996-1997 programme and budgets. Adjustments, as appropriate, to advances made by Member States to the Fund resulting from the reduced level of the Fund and revisions to the scale of assessments would be made effective on 1 January 1996.

6. In respect of financial regulation 5.4, paragraph (b), the source of funds in the Working Capital Fund is derived from advances made by Member States; thus, these funds remain the property of each individual Member State. Therefore, the advance to the Fund made

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by a Member State would be repayable to that Member State in the event of its withdrawal from the Organization. However, in cases where there are unpaid assessed contributions due, it is considered a normal practice to deduct any amounts due in respect of such arrears from the advances made by the same Member State to the Working Capital Fund. With respect to the United States, the amount of $2,250,000, representing its share of the Fund, will be credited on 31 December 1996 to any outstanding assessed contributions related to the United States.

III. ACTION REQUIRED OF THE CONFERENCE

7. The Committee may wish to recommend to the General Conference through the Board that the decision contained in IDB.14/Dec.8 on the Working Capital Fund be revised to read as follows:

"The Committee through the Industrial Development Board:

"(a) Recommends to the General Conference that, in accordance with the applicable financial regulations, the amount of the Working Capital Fund for the biennium 1996-1997 should be $6,750,000;

"(b) Recommends to the General Conference that the authorized purposes of the Fund for the 1996-1997 biennium remain the same as for the 1994-1995 biennium, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

"(c) Urges Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions."